

Message Text

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PAGE 01 MEXICO 00174 01 OF 02 080122Z

63

ACTION EB-07

INFO OCT-01 ARA-10 IO-11 ISO-00 AGR-10 CIAE-00 COME-00

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC 2205

INFO USMISSION GENEVA

UNCLAS SECTION 1 OF 2 MEXICO 0174

GENEVA FOR PHELAN

E.O. 11652: N/A

TAGS: ETRD MX

SUBJECT: GOM REQUESTS CONSULTATION ON BILATERAL TEXTILE AGREEMENT

EMBASSY TODAY RECEIVED OFFICIAL LETTER 20-IV-C-03, DATED DECEMBER 23, 1975, FROM LIC. GABRIEL ZORRILLA MARTINEZ, DIRECTOR GENERAL OF INDUSTRY, SECRETARIAT OF INDUSTRY AND COMMERCE. EMBASSY'S UNOFFICIAL TRANSLATION OF SPANISH TEXT FOLLOWS:

BEGIN TEXT

AS YOU ARE AWARE, THE BILATERAL TEXTILE AGREEMENT, ENTERED INTO BY MEXICO AND THE UNITED STATES, ESTABLISHES CERTAIN CONDITIONS FOR EXPORT AMONG WHICH ARE FOUND SPECIFIC LIMITS AND CONSULTATION LEVELS.

SINCE MAY 1, 1975, DATE ON WHICH THE AGREEMENT ENTERED INTO FORCE, UP UNTIL THE PRESENT TIME, WE HAVE BEEN INFORMED THAT THE MAXIMUM PERMISSIBLE QUOTAS HAVE BEEN REACHED IN CERTAIN CATEGORIES AND THAT THESE LIMITS ARE FAST BEING APPROACHED IN OTHERS AS A RESULT OF THE RATE OF CERTAIN TYPES OF EXPORTS IN HEAVY U.S. MARKET DEMAND.

UNCLASSIFIED

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PAGE 02 MEXICO 00174 01 OF 02 080122Z

FURTHERMORE, IT SHOULD BE EMPHASIZED THAT THESE CASES DEAL

PRINCIPALLY WITH A GROUP OF PRODUCTS MADE OF MAN-MADE AND SYNTHETIC FIBERS AND OF WOOL, WHICH ARE FOR THE MOST PART EXPORTED BY IN-BOND APPAREL ASSEMBLY PLANTS; IN OTHER WORDS, THEY ARE PRODUCTS MANUFACTURED WITH FABRIC AND MATERIALS IMPORTED FROM THE UNITED STATES.

IN ORDER TO CORRECT ANY PROBLEMS WHICH MEXICAN EXPORTS MIGHT FACE, SPECIFICALLY THOSE RESULTING FROM THE OPERATION OF IN-BOND ASSEMBLY PLANTS, ALLOW ME TO REQUEST CONSULTATION WITH U.S. GOVERNMENT AUTHORITIES AS FOLLOWS WITHIN THE TERMS SPECIFIED IN THE BILATERAL AGREEMENT:

GROUP I -

WITHIN THIS GROUP, CATEGORY 200, WHICH HAS A CONSULTATION LEVEL OF 1,000,000 SQUARE YARDS, BY SEPTEMBER 1975 HAD BEEN EXCEEDED BY 678,000 SQUARE YARDS. BASED ON PARAGRAPH 8 AND IN THE FLEXIBILITY OF UP TO 15 PERCENT PERMITTED UNDER PARAGRAPH 6, SUB-PARAGRAPH A OF THE AGREEMENT, WE REQUEST THAT THE CONSULTATION LEVEL BE INCREASED BY 3,000,000 SQUARE YARDS, WHICH INCLUDES THE ABOVE MENTIONED EXCESS AND OUR PROJECTED EXPORT NEEDS THROUGH APRIL 1976. IT SHOULD BE NOTED THAT THESE 3,000,000 YARDS ONLY REPRESENT 6.8 PERCENT OF THE TOTAL GROUP LIMIT WHICH IS 44,000,000 SQUARE YARDS; IN OTHER WORDS, IT IS LESS THAN THE AMOUNT THAT WOULD RESULT FROM THE APPLICATION OF THE 15 PERCENT PERMITTED.

GROUP II -

IN GROUP II, CATEGORY 213, WHICH HAS A CONSULTATION LEVEL OF 1,000,000 SQUARE YARDS, BY SEPTEMBER 1975 MEXICO HAD EXPORTED A TOTAL OF 897,000 SQUARE YARDS. UNDER PARAGRAPH 8 AND BASED ON A PROJECTION OF NEED THROUGH APRIL 1976, IT IS ESTIMATED THAT AN ADDITIONAL 1,153,000 SQUARE YARDS WILL BE REQUIRED FOR THIS CONSULTATION LEVEL. THIS AMOUNT ONLY REPRESENTS 2.4 PERCENT OF THE TOTAL QUOTA OF 48,000,000 SQUARE YARDS FOR THIS GROUP WHICH MAY BE EXCEEDED BY UP TO 15 PERCENT IN ACCORDANCE WITH PARAGRAPH 6, SUB-PARAGRAPH A.

GROUP III -

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 MEXICO 00174 01 OF 02 080122Z

IN GROUP III, WE REQUEST AN INCREASE IN THE CONSULTATION LEVEL FOR CATEGORY 223 IN ACCORDANCE WITH PARAGRAPH 8 OF THE AGREEMENT FOR A TOTAL OF 3,833,000 SQUARE YARDS. THE LIMIT FOR THIS CATEGORY IS 5,000,000 SQUARE YARDS OF WHICH 67.7 PERCENT HAD BEEN REACHED BY LAST SEPTEMBER. IT MUST BE EMPHASIZED THAT THE CONVERSION FACTOR OF 16.0 SQUARE YARDS PER DOZEN APPLICABLE TO CATEGORY 223 IS VERY EXAGGERATED IN THE CASE OF MEXICAN EXPORTS BECAUSE THESE CONSIST ONLY OF WOMEN'S UNDERGARMENTS,

ASSEMBLED FROM AMERICAN FABRIC, WHOSE AVERAGE SQUARE YARD PER DOZEN IS 1.725. ENCLOSED ARE FOUR SAMPLES WHICH CORRESPOND TO STYLES 900, 901, 903 AND 908 MANUFACTURED BY THE IN-BOND PLANT OLGUITA DE MEXICO, S.A., LOCATED IN MEXICALI, B.C. AND THE CORRESPONDING TECHNICAL ANALYSIS FOR EACH STYLE CARRIED OUT BY THE OLGA COMPANY, 7900 HASKELL AVE., VAN NUYS, CALIFORNIA 91409.

IN THE SAME GROUP III AND IN ACCORDANCE WITH THE TERMS CONTAINED IN PARAGRAPH 6 SUB-PARAGRAPH (B) AND IN PARAGRAPH 7 SUB-PARAGRAPH (A) (II), WE REQUEST AN INCREASE ON THE SPECIFIC LIMITS FOR CATEGORIES 219, 225, 235, AND 238 APPLYING THE 7 PERCENT FLEXIBILITY PERMITTED. THE MENTIONED CATEGORIES WOULD THEN REMAIN AS FOLLOWS:

SQUARE YARDS

CATEGORY	SPECIFIC LIMIT	7 PERCENT FLEXIBILITY	TOTAL
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219	11,172,000	PLUS 782,040	EQUALS 11,954,040
225	8,461,000	PLUS 592,270	EQUALS 9,053,270
235	7,771,000	PLUS 543,970	EQUALS 8,314,970
238	16,524,000	PLUS 1,156,680	EQUALS 17,680,680

THE AMOUNT OF THE INCREMENTS THROUGH THE APPLICATION OF THE 7 PERCENT FLEXIBILITY FACTOR TOTALS 3,741,916 SQUARE YARDS. WHEN THIS IS ADDED TO THE 3,833,000 SQUARE YARDS REQUESTED AS AN INCREASE IN THE CONSULTATION LEVEL OF CATEGORY 223 A TOTAL OF 6,907,960 SQUARE YARDS IS REACHED. THE QUOTA FOR GROUP III, WHICH AMOUNTS TO 105,000,000 SQUARE YARDS, MAY BE EXCEEDED BY 7 PERCENT UNDER PARAGRAPH 6 (A) OF THE AGREEMENT, AN AMOUNT EQUIVALENT TO 7,350,000 SQUARE YARDS. THE INCREASES REQUESTED ARE LESS THAN THE SAID 7 PERCENT.

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PAGE 01 MEXICO 00174 02 OF 02 080112Z

63

ACTION EB-07

INFO OCT-01 ARA-10 IO-11 ISO-00 AGR-10 CIAE-00 COME-00

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FM AMEMBASSY MEXICO
TO SECSTATE WASHDC 2206
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UNCLAS SECTION 2 OF 2 MEXICO 0174

GENEVA FOR PHELAN

AS WAS EXPLAINED TO THE AMERICAN AUTHORITIES AT THE TIME OF THE NEGOTIATIONS CARRIED OUT IN FEB. 1975, THE MEXICAN GOVERNMENT MAY FACE SERIOUS PROBLEMS WITH REGARD TO THE OPERATION OF THE IN-BOND APPAREL PLANTS LOCATED ON THE BORDER WITH THE U.S. AS A RESULT OF THE QUOTAS ESTABLISHED FOR SUCH ACTIVITIES. NEVERTHELESS THE NEGOTIATIONS WERE CONCLUDED WITH THE EXPRESSED AGREEMENT OF BOTH COUNTRIES WITH REGARD TO THE TERMS OF THE BILATERAL ACCORD WHILE TAKING INTO ACCOUNT ALL THOSE PROBLEMS THAT MIGHT RESULT FROM THE ARRANGEMENT ONCE IT ENTERED INTO FORCE. IT WAS AGREED THESE PROBLEMS WOULD MERIT A REVIEW BY BOTH PARTIES WITHIN A SPIRIT OF MUTUAL UNDERSTANDING AND GOOD WILL, IN ORDER TO RESOLVE THEM.

WITHIN THIS CONTEXT, WE WISH TO ADVISE THAT THE OPERATIONAL NEEDS OF THE IN-BOND PLANTS DURING THE PRESENT AGREEMENT-YEAR WILL EXCEED THE LIMITS ESTABLISHED FOR CATEGORIES 219, 225, 235, AND 238, EVEN THOUGH THE 7 PERCENT FLEXIBILITY REQUESTED ABOVE WILL BE APPLIED.

THE AMOUNTS OVER AND ABOVE THOSE ESTABLISHED IN THE AGREEMENT REQUIRED TO ALIVIA TE THE DIFFICULT SITUATION WHICH THE IN-BOND PLANTS WILL FACE OVER THE NEXT FEW MONTHS ARE AS FOLLOWS:
CATEGORY EXCEPTIONAL INCREASE
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PAGE 02 MEXICO 00174 02 OF 02 080112Z

(SQUARE YARDS)

219 1,730,320

225 924,660

235 789,260

238 2,875,440

TOTAL 6,319,680

IN ORDER TO COVER THE URGENT NEEDS OF THESE PLANTS, THE MEXICAN GOVERNMENT PROPOSES TO THE AMERICAN AUTHORITIES THE POSSIBILITY OF A TRANSFER WITHIN THE SIX CATEGORIES OF SYNTHETIC FIBER PRODUCTS WHICH HAVE BEEN ASSIGNED SPECIFIC LIMITS, BY REDUCING CATEGORY 224, WHICH HAS A LIMIT OF 14,693,000 SQUARE YARDS BY 5,319,680 SQUARE YARDS AND BY REDUCING CATEGORY 229, WHICH HAS A LIMIT OF 7,185,000 SQUARE YARDS, BY 1,000,000 SQUARE YARDS. AS CAN BE SEEN, THE AMOUNT TRANSFERRED WOULD TOTAL 6,319,680 SQUARE YARDS, WHICH IS EQUIVALENT TO THE INCREASE WHICH WOULD BE ADDED TO CATEGORIES 219,

225, 235 AND 238.

THESE ADJUSTMENTS WOULD ONLY APPLY TO THE CURRENT AGREEMENT-YEAR WHICH ENDS ON APRIL 30, 1976 AND WOULD NOT MODIFY THE LIMITS ESTABLISHED FOR THE SECOND YEAR OF THE AGREEMENT. (CUSTOMARY ENDING). END TEXT.

EMBASSY AIR POUCHING TO DEPT ORIGINAL GOM COMMUNICATION AND SAMPLES MENTIONED IN TEXT.

ACTION REQUEST: EMBASSY WOULD APPRECIATE GUIDANCE ON HOW TO RESPOND TO GOM REQUEST FOR CONSULATATION CHANGES. GOM IS STILL PRESSING FOR SPECIFIC DATE PROPOSAL FROM USG FOR FEBRUARY MEETING ON FIRST AGREEMENT-YEAR. (SEE PARA 4 MEXICO 11331).
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